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Germany

Grain and Feed

Grain Price Situation and Crop Outlook

2008

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Report Highlights:

Grain and oilseed prices are trending upward in Germany. Concerns exist about grain availability for domestic mills in in final months of MY 2007/08. As a result cultivation area for grains will be increased by a forecast 420,000 hectares in 2008. Oilseed planting in early fall 2007 was hampered by unfavorable weather. Crop development has been satisfactory by late January 2008.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Berlin [GM1]
[GM]

Policy and Market Reactions to Increased Commodity Prices

Prices for grains and oilseeds in Germany followed the dramatic global upward move during the past year. Markets are very volatile in Germany. For example, future prices for baking wheat for May 2008 delivery reached a high of €295/MT in early September, fell back to about €225 in late November and recovered to €255 in the second half of January 2008. However, prices on the farm level have been less volatile. The following table shows the commodity price developments in Germany over the past 1.5 years:

German Producer Prices, Monthly Averages in Euro / Ton

	Bread Wheat	Feed Barley	Rape Seed
Jun-06	109.90	99.75	228.57
Jun-07	145.24	140.50	254.27
Aug-07	200.41	183.96	294.64
Oct-07	229.73	218.47	333.71
Dec-07	224.21	213.52	365.01
Jan 16, 08	244.58	224.96	408.66

Source: ZMP

There are currently concerns expressed by the trade that grain supplies at flour and feed mills may become short by the beginning of the spring, inducing further price increases. As result of the smaller harvest in 2007 also supplies at the farm level are assumed to be very short.

Currently winter plantings of grains and oilseeds seem to be in good shape. Water supplies are sufficient and temperatures have not yet harmed the plants. However, there are still about six more weeks of winter to come.

The German government did not introduce any national policy actions to counter the price developments of agricultural commodities during recent months. On the EU level it was decided to temporarily lift the requirement for production area set-aside and to abolish import duties for grains except for oats.

In previous years, ample grain stocks held in German intervention storage were available to buffer short crops. As of August 2007, all grains previously held at intervention storage in Germany were sold out.

German Grain Intervention Stocks	
July 1, 2005	6.5 MMT
July 1, 2006	3.4 MMT
July 1, 2007	0.1 MMT
Aug. 1, 2007	0
Source: BMELV	

As result of the discontinuation of the production area set-aside requirement, German farmers will likely increase the planting area for grains and silage corn in 2008. The amount of fallow land will be cut in half. The remaining fallow land is mainly less productive land.

German Crop Area Development, in million hectares

	Wheat	Barley	Total Grains**	Silage Corn***	Rape Seed	Fallow land
2004	3.11	1.98	6.95	1.25	1.28	0.78
2005	3.17	1.95	6.84	1.26	1.34	0.79
2006	3.12	2.03	6.70	1.35	1.43	0.74
2007	3.01	1.93	6.58	1.48	1.55	0.65
2008*	3.24	2.00	7.00	1.55	1.40	0.30

* FAS Forecast

** Incl. wheat, barley, rye, oats, triticale, corn for grain harvest, mixed grains

*** used for cattle feed and biogas production

Silage corn area will be expanded because increased corn silage volume will be needed to feed additional biogas facilities. In 2007, the crop area for biogas production (i.e. silage corn, grass silage and rye silage) was estimated at about 400,000 hectares; this compares to about 300,000 hectares in 2006. Growth in demand for biomass for biogas production in 2008 will be smaller than in previous years. The production area for rapeseed is estimated to be down by almost ten percent because at the time of decision making for the planting schedule for 2008 harvest, wheat prices were more favorable than prices for rapeseed. Additionally, rainy weather in September prevented a number of farmers from planting rapeseed.

In reaction to the increased input prices for the feed industry, German feed millers switched to U.S. sorghum and are also increasingly using tapioca. Meaningful trade data are not yet available since this move took place beginning November 2007.